



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

March 24, 1981

SUBJECT: Form FmHA 1940-1, Request for Abrogation of Funds

TO: All State Directors, District Directors and County
Supervisors, FmHA

Since October 1, 1980, 20 percent of the Forms FmHA 1940-1 have rejected from the computer system. As a result of these discrepancies, loan checks have required additional handling and research, thus delaying check issuance until the discrepancy item is resolved. In analyzing the reasons for the discrepancy items, it has been determined that approximately 16,000 rejections were the direct result of improper or incomplete preparation of Form FmHA 1940-1. For example, a large number of Form FmHA 1940-1 submitted for emergency type loans do not have block 37 (disaster designation code) completed.

We have identified below the primary data elements on the Form FmHA 1940-1 that, because of omission or incorrect data, have contributed to the majority of rejections. In addition, we have also provided guidelines for completing the data elements in preparing future Forms FmHA 1940-1.

GENERAL BORROWER/LOAN INFORMATION

Complete Items 6 through 38 as required for the type of assistance requested. Enter the applicable numeric code for each item. Do NOT circle items nor enter an "X" to indicate information.

<u>ITEM NO.</u>	<u>DESCRIPTION</u>
6	RACE/ETHNIC CLASSIFICATION Complete for all guaranteed and insured loans/grants. EXCEPTION: Do not complete for a public body (If item 7 (Sex Code) is coded 6 (Public body)).
8	MARITAL STATUS Complete for guaranteed and insured loans/grants to INDIVIDUALS only (If item 7 (Sex Code) is coded 1, 2, or 3).
18	TYPE OF FUNDS Correctly indicate 1 for guaranteed, 2 for insured.

EXPIRATION DATE:
September 30, 1981

FILING INSTRUCTION:
Preceding FMI for Form
FmHA 1940-1



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

<u>ITEM NO.</u>	<u>DESCRIPTION</u>
19	PERCENT OF LOAN GUARANTEED Enter the two-digit percentage for guaranteed loans (If item 18 is coded 1).
21	TYPE OF SUBMISSION Enter code 1 when the borrower is not currently indebted for the same project or type of loan. Enter code 2 when the borrower is currently indebted for the same type of loan (see Enclosure 1). Enter code 3 when this loan will be closed in conjunction with a credit sale or assumption agreement. For credit sales and assumption agreements item number 38 must also be completed.
22 & 23	AMOUNT OF LOAN AND AMOUNT OF GRANT Enter amount of approved loan or grant, as applicable. All amounts are in tens of dollars; therefore, the final three zeroes are preprinted. For example: loan amount requested is \$30,000.00; enter only 3000. The final three zeroes are provided.
24	AMOUNT OF IMMEDIATE ADVANCE Enter amount required, not to exceed amount entered in items 22 and/or 23. Do <u>NOT</u> enter an amount for a guaranteed loan.
25	DATE OF APPROVAL Enter approval date indicated in Item 41.
26	INTEREST RATE Enter the six-digit interest rate, omitting the decimal point. Example: 5% should be shown as <u>050000</u> . The interest rate is based on type of assistance (Item 16) and the date of approval (Item 25). Refer to Enclosure 2, all comet messages dealing with interest rate charges, and FmHA Instruction 440.1, Exhibits A and B, for effective interest rates.
38	TYPE OF SALE Enter code 3 or 4, as applicable, when the loan being made will be closed simultaneously with a credit sale or assumption agreement. For codes 3 or 4 the submission code in Item 21 should be code 2 = subsequent.

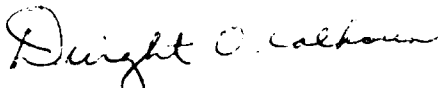
<u>ITEM NO.</u>	<u>DESCRIPTION</u>
<u>RURAL HOUSING LOAN AND/OR GRANT</u>	
28	INCOME CATEGORY CODES Enter the applicable code for all Section 502 loans and Section 504 loans AND GRANTS.
31 & 32	R. E. TAXES - 1ST YEAR AND R. E. TAXES - 2ND YEAR These items must be completed for Section 502 Subsidized Rural Housing loans. If there are no taxes, enter four zeroes preceding the preprinted zeroes.
33	TYPE OF UNIT Enter applicable code for all Section 502 and 504 loans.

EM LOANS

37	DISASTER DESIGNATION CODE Enter four-digit disaster code for all Emergency loans.
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We request your assistance in helping us to meet our objectives of reducing substantially the discrepancy rates in processing Forms FmHA 1940-1. We believe that if the content of this letter is referenced during the completion of the form, immediate results will be realized by the Agency because of a more timely and reliable check delivery system.

Effective April 13, 1981, all incorrectly or incompletely prepared Forms FmHA 1940-1 received in the Finance Office will be returned to the field offices for corrective action. A report identifying unprocessed loans returned to the field offices will be prepared monthly and distributed to the state director. This report will also include the reasons why forms were returned to the field.



DWIGHT O. CALHOUN
Acting Administrator

2 Enclosures

511(1940)

Enclosure 1

DETERMINING TYPE OF SUBMISSION
 ITEM 21 ON FORM FmHA 1940-1
 (This enclosure is an example
 reflecting codes most commonly
 stated incorrectly or omitted.)

Initial - Borrower NOT currently indebted for the same type of loan.

Subsequent - Borrower is currently indebted for the same type of loan.

Type of Assistance (Item 16 on Form FmHA 1940-1)	Type of Loan
056 - Actual Loss	Emergency
057 - Actual Operating	
058 - Major Adjustment	
059 - Major Adjustment	
050 - Limited Resource	Operating
051 - Except Youth	
052 - Youth Only	
001 - General	Section 502 Rural Housing
002 - Senior Citizen	
003 - Self Help	
004 - Disaster	
006 - Repair & Rehabilitate	
053 - Operating Purposes	Economic Emergency
055 - Real Estate Purposes	
034 - Limited Resource - FE	Farm Ownership - Farm Enterprise
036 - Farm Enterprise	
035 - Limited Resource - NFE	Farm Ownership - Non-Farm Enterprise
037 - Non-Farm Enterprise	

EXAMPLE:

		Form FmHA 1940-1		
		Item 16	Item 21	
		Type of Assistance	Type of Submission	
A)	First loan submitted for borrower	056	1	initial
	Second loan submitted for same borrower	057	2	subsequent
B)	First loan submitted for borrower	001	1	initial
	Second loan submitted for same borrower	006	1	subsequent

511(1940)

Enclosure 2

DETERMINING INTEREST RATES ON INSURED LOANS

Item 26 on Form FmHA 1940-1

(This enclosure is an example reflecting interest rates most commonly stated incorrectly or omitted. For a complete list of current interest rates see all comet messages dealing with interest rate changes and FmHA Instruction 440.1 Exhibits A and B.)

<u>Type of Loan</u>	<u>Type of Assistance</u>	<u>Effective Dates</u>	<u>Six-Digit Rate</u>
Rural Housing - Low to Moderate	001, 002, 003, and 006	09-20-80 to 12-19-80 12-20-80 to present	120000 130000
	004		050000
	005 and 008		010000
Farm Ownership, Soil and Water, Recreation	036, 037, 038 and 039	06-17-80 to 12-19-80 12-20-80 to present	110000 122500
	034 and 035	11-01-79 to 03-05-80 03-06-80 to present	040000 050000
Operating	051 and 052	06-17-80 to 12-19-80 12-20-80 to present	105000 130000
	050	11-01-79 to 03-05-80 03-06-80 to present	060000 070000
Economic Emergency	053	06-17-80 to 12-19-80 12-20-80 to present	115000 130000
	055	06-17-80 to 12-19-80 12-20-80 to present	110000 122500
Emergency	056	03-28-79 to present	030000 or 050000
	057 and 059	09-25-80 to 12-19-80 12-20-80 to present	125000 130000
	058	09-25-80 to 12-19-80 12-20-80 to present	110000 122500
Emergency Actual Loss - (Able to Obtain Credit)	091	FOR DISASTER OCCURRING: 07-03-80 to 12-19-80 12-20-80 to present	117500 133750